Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

February 2018: budgetary surplus of $2.8 billion

There was a budgetary surplus of $2.8 billion in February 2018, compared to a surplus of $1.3 billion in February 2017. Revenues increased by $2.4 billion, or 9.3 per cent, reflecting increases in all major revenue streams. Program expenses increased by $0.9 billion, or 3.8 per cent, largely reflecting an increase in direct program expenses. Public debt charges increased by $22 million.

April 2017 to February 2018: budgetary deficit of $5.6 billion

For the April to February period of the 2017–18 fiscal year, the Government posted a budgetary deficit of $5.6 billion, compared to a deficit of $11.5 billion reported for the same period of 2016–17. Revenues were up $14.1 billion, or 5.3 per cent, reflecting increases in tax revenues and other revenues, partially offset by a decrease in Employment Insurance (EI) premium revenues. Program expenses were up $8.3 billion, or 3.3 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $0.2 billion, or 0.7 per cent, due mainly to a lower average effective interest rate on the stock of interest-bearing debt.

February 2018

There was a budgetary surplus of $2.8 billion in February 2018, compared to a surplus of $1.3 billion in February 2017.

Revenues in February 2018 totalled $28.7 billion, up $2.4 billion, or 9.3 per cent, from February 2017.

- Personal income tax revenues were up $1.0 billion, or 9.9 per cent.
- Corporate income tax revenues were up $1.0 billion, or 14.2 per cent.
- Non-resident income tax revenues were down $0.2 billion, or 21.6 per cent.
- Excise taxes and duties were up $0.2 billion, or 5.5 per cent. Goods and Services Tax (GST) revenues increased by $0.2 billion, or 7.0 per cent, other excise taxes and duties increased by $0.1 billion, energy taxes increased by $15 million, while customs import duties decreased by $45 million.
- EI premium revenues were up $0.1 billion, or 5.8 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $0.3 billion or 12.3 per cent.

Program expenses in February 2018 were $24.2 billion, up $0.9 billion, or 3.8 per cent, from February 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.1 billion, or 1.1 per cent. Elderly benefits increased by $0.2 billion, or 4.5 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $0.1 billion, or 6.8 per cent. Children's benefits increased by $34 million, or 1.7 per cent.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.1 billion, or 2.2 per cent.
- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of consolidated Crown corporations. Direct program expenses were up $0.7 billion, or 7.0 per cent. Within direct program expenses:

- Transfer payments increased by $0.7 billion, or 22.6 per cent, primarily reflecting an increase in transfers to First Nations.
- Other direct program expenses decreased by $2 million, or 0.0 per cent.

Public debt charges increased by $22 million, or 1.3 per cent.

April 2017 to February 2018

For the April to February period of the 2017–18 fiscal year, there was a budgetary deficit of $5.6 billion, compared to a deficit of $11.5 billion reported during the same period of 2016–17.

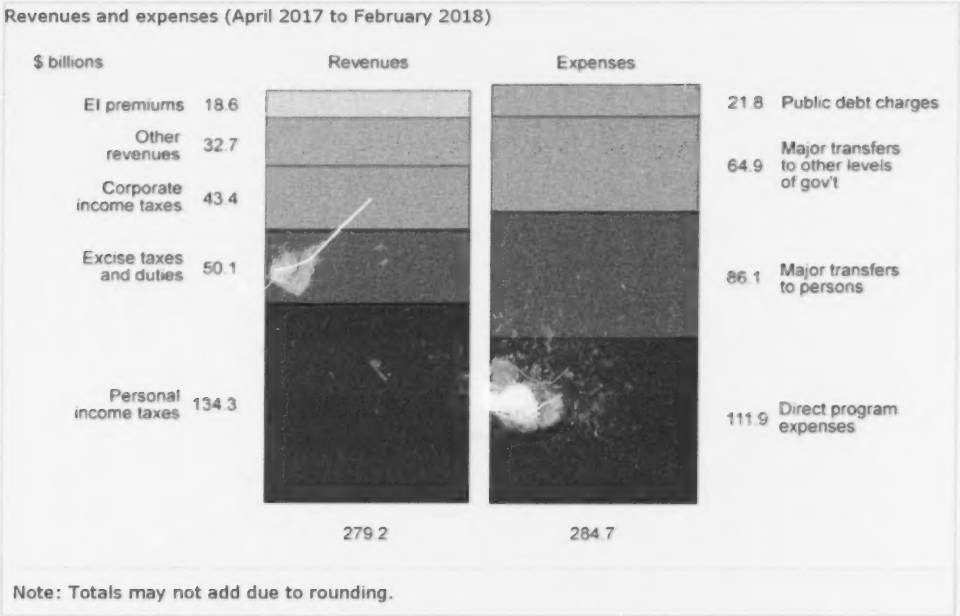
Revenues increased by $14.1 billion, or 5.3 per cent, to $279.2 billion.

- Personal income tax revenues were up $7.7 billion, or 6.1 per cent.
- Corporate income tax revenues were up $3.8 billion, or 9.7 per cent.
- Non-resident income tax revenues were up $0.8 billion, or 11.8 per cent.
- Excise taxes and duties were up $2.7 billion, or 5.6 per cent. GST revenues were up $2.3 billion, or 7.2 per cent. Energy taxes and other excise taxes and duties were each up $0.2 billion, while customs import duties increased by $11 million.
- EI premium revenues were down $1.5 billion, or 7.7 per cent, reflecting a decline in the premium rate as a result of the seven-year break-even mechanism introduced in 2017.
- Other revenues were up $0.6 billion, or 2.3 per cent.

Program expenses totalled $262.9 billion over the April to February period of 2017–18, up $8.3 billion, or 3.3 per cent, from the same period the previous year.

- Major transfers to persons were up $2.9 billion, or 3.5 per cent. Elderly benefits increased by $2.4 billion, or 5.4 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $0.9 billion, or 4.5 per cent. Children's benefits were up $1.4 billion, or 6.9 per cent, reflecting the new Canada Child Benefit, which replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.
- Major transfers to other levels of government were up $1.9 billion, or 3.1 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as payments under the new home care and mental health transfers.
- Direct program expenses were up $3.5 billion, or 3.2 per cent. Within direct program expenses:
  - Transfer payments increased by $0.4 billion, or 1.2 per cent.
  - Other direct program expenses increased by $3.1 billion, or 4.1 per cent, largely reflecting increases in operating expenses of National Defence and personnel costs.

Public debt charges decreased by $0.2 billion, or 0.7 per cent, due mainly to a lower average effective interest rate on the stock of interest-bearing debt.



Financial requirement of $12.1 billion for April 2017 to February 2018

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $5.6 billion and a financial requirement of $6.5 billion from non-budgetary transactions, there was a financial requirement of $12.1 billion for the April 2017 to February 2018 period, compared to a financial requirement of $21.2 billion for the same period the previous year.

Net financing activities up $19.5 billion

The Government financed its financial requirement of $12.1 billion and increased cash balances by $7.4 billion by increasing unmatured debt by $19.5 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of February 2018 stood at $44.3 billion, up $0.3 billion from their level at the end of February 2017.

Table 1
Summary statement of transactions
$ millions

	February		April to February	
	2017	2018	2016–17	2017–18
Budgetary transactions				
Revenues	26,271	28,716	265,116	279,167
Expenses				
Program expenses	-23,283	-24,173	-254,572	-262,879
Public debt charges	-1,695	-1,717	-22,002	-21,845
Budgetary balance (deficit/surplus)	1,293	2,826	-11,458	-5,557
Non-budgetary transactions	-3,048	-9,383	-9,704	-6,519
Financial source/requirement	-1,755	-6,557	-21,162	-12,076
Net change in financing activities	120	5,173	27,273	19,460
Net change in cash balances	-1,635	-1,384	6,111	7,384
Cash balance at end of period			43,956	44,285

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	February			April to February		
	2017 ($ millions)	2018 ($ millions)	Change (%)	2016–17 ($ millions)	2017–18 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,522	11,568	9.9	126,596	134,304	6.1
Corporate income tax	6,930	7,914	14.2	39,564	43,412	9.7
Non-resident income tax	804	630	-21.6	6,704	7,494	11.8
Total income tax	18,256	20,112	10.2	172,864	185,210	7.1
Excise taxes and duties						
Goods and Services Tax	2,313	2,476	7.0	32,069	34,381	7.2
Energy taxes	439	454	3.4	5,136	5,295	3.1
Customs import duties	475	430	-9.5	4,992	5,003	0.2
Other excise taxes and duties	316	378	19.6	5,279	5,466	3.5
Total excise taxes and duties	3,543	3,738	5.5	47,476	50,145	5.6
Total tax revenues	21,799	23,850	9.4	220,340	235,355	6.8
Employment Insurance premiums	2,431	2,573	5.8	20,114	18,572	-7.7
Other revenues	2,041	2,293	12.3	24,662	25,240	2.3
Total revenues	26,271	28,716	9.3	265,116	279,167	5.3

Note: Totals may not add due to rounding.

Table 3
Expenses

	February			April to February		
	2017 ($ millions)	2018 ($ millions)	Change (%)	2016–17 ($ millions)	2017–18 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	4,129	4,314	4.5	44,053	46,439	5.4
Employment Insurance benefits	1,940	1,808	-6.8	19,051	18,189	-4.5
Children's benefits	1,948	1,982	1.7	20,075	21,467	6.9
Total	8,017	8,104	1.1	83,179	86,095	3.5
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	3,006	3,096	3.0	33,062	34,054	3.0
Canada Social Transfer	1,112	1,146	3.1	12,236	12,603	3.0
Home care and mental health	n/a	0	n/a	n/a	300	n/a
Total	4,118	4,242	3.0	45,298	46,957	3.7
Fiscal arrangements and other transfers	1,731	1,772	2.4	19,821	20,206	1.9
Canada's cities and communities	0	0	n/a	2,064	2,072	0.4
Quebec Abatement	-249	-291	16.9	-4,229	-4,350	2.9
Total	5,600	5,723	2.2	62,954	64,885	3.1
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	154	9	-94.2	1,202	764	-36.4
Employment and Social Development Canada	574	701	22.1	6,474	7,066	9.1
Global Affairs Canada	273	297	8.8	3,105	3,345	7.7
Health Canada	109	149	36.7	2,823	3,094	9.6
Indigenous and Northern Affairs Canada	638	1,472	130.7	7,549	8,204	8.7
Innovation, Science and Economic Development Canada	498	338	-32.1	3,095	3,456	11.7
Other	778	740	-4.9	9,889	8,614	-12.9

Total	3,024	3,706	22.6	34,137	34,543	1.2
Other direct program expenses						
Consolidated Crown corporations	715	350	-51.0	8,414	8,329	-1.0
National Defence	1,984	2,231	12.4	21,792	23,817	9.3
All other departments and agencies	3,943	4,059	2.9	44,096	45,210	2.5
Total other direct program expenses	6,642	6,640	0.0	74,302	77,356	4.1
Total direct program expenses	9,666	10,346	7.0	108,439	111,899	3.2
Total program expenses	23,283	24,173	3.8	254,572	262,879	3.3
Public debt charges	1,695	1,717	1.3	22,002	21,845	-0.7
Total expenses	24,978	25,890	3.7	276,574	284,724	2.9

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	February		April to February	
	2017	**2018**	**2016–17**	**2017–18**
Budgetary balance (deficit/surplus)	1,293	2,826	-11,458	-5,557
Non-budgetary transactions				
Capital investment activities	-484	-466	-3,984	-2,514
Other investing activities	-572	-834	-8,115	-3,978
Pension and other accounts	294	793	6,773	5,720
Other activities				
Accounts payable, receivables, accruals and allowances	-4,509	-5,082	-3,363	-5,120
Foreign exchange activities	1,856	-4,130	-4,403	-2,292
Amortization of tangible capital assets	367	336	3,388	1,665
Total other activities	-2,286	-8,876	-4,378	-5,747
Total non-budgetary transactions	-3,048	-9,383	-9,704	-6,519
Financial source/requirement	-1,755	-6,557	-21,162	-12,076

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	February		April to February	
	2017	2018	2016–17	2017–18
Financial source/requirement	-1,755	-6,557	-21,162	-12,076
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	201	-472	33,941	42,612
Treasury bills	3,300	2,300	-1,600	-21,800
Retail debt	-26	-78	-520	-1,882
Total	3,475	1,750	31,821	18,930
Foreign currency borrowings	-4,294	869	-3,763	2,773
Total	-819	2,619	28,058	21,703
Cross-currency swap revaluation	1,070	2,756	-966	-417
Unamortized discounts and premiums on market debt	-113	-176	478	-1,758
Obligations related to capital leases and other unmatured debt	-18	-26	-297	-68
Net change in financing activities	120	5,173	27,273	19,460
Change in cash balance	-1,635	-1,384	6,111	7,384

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2017	February 28, 2018	Change
Liabilities			
Accounts payable and accrued liabilities	132,519	155,291	22,772
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	536,280	578,892	42,612
Treasury bills	136,700	114,900	-21,800
Retail debt	4,533	2,651	-1,882
Subtotal	677,513	696,443	18,930
Payable in foreign currencies	17,609	20,382	2,773
Cross-currency swap revaluation	7,764	7,347	-417
Unamortized discounts and premiums on market debt	5,322	3,564	-1,758
Obligations related to capital leases and other unmatured debt	5,425	5,357	-68
Total unmatured debt	713,633	733,093	19,460
Pension and other liabilities			
Public sector pensions	151,806	151,149	-657
Other employee and veteran future benefits	93,568	99,833	6,265
Other liabilities	5,689	5,801	112
Total pension and other liabilities	251,063	256,783	5,720
Total interest-bearing debt	964,696	989,876	25,180
Total liabilities	1,097,215	1,145,167	47,952
Financial assets			
Cash and accounts receivable	158,055	193,331	35,276
Foreign exchange accounts	98,797	101,089	2,292

Loans, investments, and advances (net of allowances)[1]	124,006	127,635	3,629
Public sector pension assets	1,900	1,900	0
Total financial assets	382,758	423,955	41,197
Net debt	714,457	721,212	6,755
Non-financial assets	82,558	83,407	849
Federal debt (accumulated deficit)	631,899	637,805	5,906

Note: Totals may not add due to rounding.

[1] February 28, 2018 amount includes $0.3 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April 2017 to February 2018 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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